

Message Text

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ACTION ARA-10

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NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 TAR-01

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TAGS ECON EFIN JM

SUBJECT PM MANLEY ANNOUNCES PHASE I OF ANTI-INFLATIONPACKAGE

1. SUMMARY: THE PM'S SPEECH WAS MORE SOCIALISTIC THAN ECONOMIC, FOCUSED MORE ON EGALITARIAN MEASURES THAN ANTI-INFLATIONONES, AND CALLED FOR CONSULTATION IN SEPTEMBER AMONG THE VARIOUS ECONOMIC SECTORS - TRADE UNIONS MANAGEMENT, PRODUCERS, AND CONSUMERS - TO ESTABLISH A NEW PRICES AND INCOMES POLICY. THE SECOND PHASE OF THE PACKAGE, WHICH WILL PRESUMABLY INCLUDE A NEW MINIMUM WAGE, AS PART OF THE GUIDELINES, WILL BE ANNOUNCED IN OCTOBER. HIGHLIGHTS OF THE SPEECH FOLLOW.

2. WAGES AND INCOME DISTRIBUTION: GUIDELINES FOR A NEW INCOMES POLICY WILL BE ANNOUNCED IN OCTOBER AFTER CONSULTATIONS BETWEEN THE GOJ AND REPRESENTATIVES OF BOTH MANAGEMENT AND LABOR. IN THE INTERIM THE PM ASKED THAT ALL SECTORS OF SOCIETY HOLD INCOMES, PRICES, AND FEES AT THEIR PRESENT LEVELS. THE NEW GUIDELINES, WHICH WOULD INCLUDE WAGES,SALARIES, DIVIDENDS AND PROFITS, WOULD HOPEFULLY BE ESTABLISHED BY CONSENSUS BUT IF NOT WOULD BE DECLARED

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AS "A UNILATERAL ACT OF GOVERNMENT IN THE NATIONAL INTEREST".

THE GUIDELINES WILL ALSO INCLUDE MECHANISMS TO ELIMINATE EXCESSIVE PROFITS AND REGULATE INCOME DISTRIBUTION. IN THE PRIVATE SECTOR AND IN GOVERNMENT, THE RATIO BETWEEN THE HIGHEST AND LOWEST SALARIES IS 20 TO ONE; AND A MORE SUITABLE RATION FOR JAMAICA IS TEN TO ONE. "WE WILL BE PUTTING FORWARD CLEAR PROPOSALS ABOUT HOW TO CREATE A SITUATION IN WHICH WE BEGIN TO CLOSE THE GAP BETWEEN THE HIGHEST AND LOWEST PAID".

3. PRICES: AN ADDITIONAL 33 ITEMS WILL BE ADDED TO THE 46 NOW SUBJECT TO SPECIFIC PRICE CONTROLS. (THE "A" LIST) PRICES OF ANOTHER GROUP (THE "B" LIST) CANNOT BE RAISED WITHOUT A SUBMISSION OF INTENTION 2 MONTHS PRIOR TO THE DATE OF PROPOSED INCREASE TO THE PRICES COMMISSION WHICH WILL ALLOW CONSUMER GROUPS TO COMMENT ON THE PROPOSALS. THE PRICE INSPECTORS GROUP WILL BE ENLARGED TO INCLUDE CONSUMER GROUPS ON A VOLUNTARY BASIS. LEGISLATION WILL BE ENACTED TO INCREASE PENALTIES FOR BREAKERS OF THE LAW. THERE WOULD BE NO PRICE CONTROLS ON DOMESTIC AGRICULTURAL PRODUCTS, AND THE AGRICULTURAL MARKETING CORPORATION WOULD BE REORGANIZED AND EXPANDED TO INCREASE ITS SHARE, NOW 20 PERCENT, OF DOMESTIC OUTPUT. LEGISLATION WOULD BE ENACTED TO FREEZE RENTS AT THEIR PRESENT LEVELS.

4. BALANCE OF PAYMENTS: LEVEL OF GOJ FOREIGN EXCHANGE RESERVES ON AUGUST 12 WAS J\$121.7 MILLION COMPARED TO J\$168.8 MILLION IN SEPTEMBER, 1974. THIS LEVEL IS J\$100 MILLION LESS THAN NEEDED AND ONLY SLIGHTLY ABOVE AMOUNT NOW REQUIRED FOR 1 MONTH'S IMPORT OF J\$90 MILLION. IMPORTS AT THE END OF JULY TOTALLED J\$611 MILLION AND FOR REMAINDER OF THE YEAR WOULD BE HELD TO J\$289 MILLION SINCE "EVERY EFFORT SHOULD BE MADE TO ACHIEVE TARGET OF J\$900 MILLION". ALL LICENSES FOR CAPITAL GOODS IMPORTS WERE CANCELLED AND NO NEW ONES WOULD BE GRANTED IN 1975. NO IMPORTS OF STEAM ROLLERS, CRANES, EARTH MOVING EQUIPMENT, OR COMPUTERS WOULD BE ALLOWED FOR NEXT 18 MONTHS. THE ONLY NEW EXCHANGE CONTROLS ANNOUNCED WERE THOSE AFFECTING MIGRANTS WHICH WERE CUT APPROXIMATELY IN HALF. THE MAXIMUM INCOME REMITTANCES TO EMIGRES RELATING TO PROPERTY OR BUSINESSES OWNED BY THEM IN JAMAICA WOULD BE J\$50,000 AFTER TAXES, 10 PERCENT PER ANNUM OF THE VALUE OF THE

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PROPERTY IN JAMAICA OR THE ACTUAL INCOME WHICHEVER IS LESS.

5. PRODUCTION: THE PM ANNOUNCED A NUMBER OF MEASURES TO STIMULATE PRODUCTION AND EXPORTS INCLUDING THE EXPANSION OF EXPORT CREDITS, INTRODUCTION OF EXPORT GUARANTEES, ACCELERATED DEPRECIATION, TAX REBATES FOR THE TRAINING OF WORKERS AND THE EMPLOYMENT OF "IMPACT" PROGRAM WORKERS. THE SUM OF J\$5 MILLION WOULD BE MADE AVAILABLE FOR LOANS TO SMALL

HOTELS, AND AN EXPORT CORPORATION WOULD BE ESTABLISHED TO ASSIST SMALL BUSINESSMEN

6. LAND: THE PRESENT LAND DEVELOPMENT AND UTILIZATION ACT AND LAND ACQUISITION ACT WILL BE AMENDED TO PROVIDE FOR GOJ LEASE RATHER THAN PURCHASE OF IDLE LAND WITH RENTAL LIMITED TO 1 PERCENT OF VALUE AS SHOWN IN LAND VALUATION ROLL. WHEN PURCHASE IS NECESSARY, COMPENSATION WOULD NOT BE MADE ON THE BASIS OF MARKET PRICE BUT INSTEAD ON THE UNIMPROVED VALUE AS AS SHOWN ON THE TAX ROLL PLUS THE ACTUAL VALUE OF IMPROVEMENTS. EMBASSY COMMENT AND EDITORIAL REACTION WILL FOLLOW SEPTEL. FULL TEXT OF SPEECH WILL BE POUCHED. DORRANCE

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